

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: May 7, 2007

Bill Number: H.B. 3998

Author: Edge

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

To amend Section 12-36-2120, as amended, Code of Laws of South Carolina, 1976, relating to exemptions from sales tax, including prescription medications, so as to include in this exemption prescriptions for the treatment of chronic kidney disease related anemia prior to dialysis.

REVENUE IMPACT ^{1/}

This bill is expected to reduce state sales and use tax revenue by an estimated \$2,747,057 in FY2007-08.

Explanation

This bill would amend Section 12-36-2120 (28)(a) exempting the sales tax from prescription medicines sold to hospitals, physicians' offices, and long term care facilities for use in the treatment of anemia resulting from chronic kidney disease, excluding any drugs used in dialysis treatment of chronic kidney disease. Under current law, only medicines sold by prescription are exempt from sales tax liability. There are currently two prescription medications, Procrit and Aranesp, indicated for the treatment of anemia resulting from chronic kidney disease in pre-dialysis patients. Based upon product sales figures provided by the manufacturers of these prescription medications, the BEA estimates that South Carolina sales of these prescription medications to hospitals, physicians' offices, and long term care facilities will total \$45,784,281 in FY2007-08. Of this total, \$21,258,118 will be sales to hospitals, \$19,411,873 will be sales to long term care facilities, and \$5,114,290 will be sales to physicians' offices. Applying a sales tax rate of six percent to total sales would reduce state sales and use tax revenue by an estimated \$2,747,057 in FY2007-08.

/s/ William C. Gillespie
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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.